THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) No, Sir.

(b) to (d) Do not arise.

(e) Some of the Chief Ministers raised this issue before the Eleventh Finance Commission and the meeting of National Development Council.

Effect of Iraqi war on economy

19. DR. MANMOHAN SINGH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have made any assessment of the likely effects of a possible war in Iraq on the Indian economy; and

(b) if so, what are the main findings thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The impact of possible war in Iraq on Indian economy will depend critically on the duration of conflict. Assuming a short and swift course, with a decisive US victory, the major impact would be on international crude oil prices, where in the country is well equipped to finance higher import bill in the event of a steep escalation of global oil prices or other exogenous developments. While there may be a temporary set back to our exports of goods and services to the gulf region, overall exports are unlikely to be affected too long. Remittances from the gulf region may also go down temporarily, the decline being preceded by a probable increase in remittances in anticipation of the conflict. With an observed tendency for a surplus in current account and comfortable foreign exchange reserves at more than $ 70 billion, vulnerability of balance of payments to such changes, however, appears to be limited in the short run.

Considering the current inflation rate and level of foodstocks, the impact on domestic inflation will be temporary, with hike in oil prices unlikely to result in any sharp surge in domestic inflation, Capital

markets may witness a slight stiffening of interest rates, with limited decline in sentiments in stock markets followed by a quick recovery. Depending on market sentiments, the rupee may come under pressure, with such depreciation of the rupee, coupled with impact of oil price hike on domestic inflation, impinging on the current soft interest rate regime.

Overall, the impact of possible war in Iraq on growth prospects of Indian economy is likely to be marginal in the short run. Notwithstanding such marginal impact on the economy, the overall growth performance of the Indian economy is unlikely to be seriously affected by the developments in the Gulf, due to clear signs of revival of domestic demand and the resultant buoyancy imparted to the domestic economy.

Increase in revenue collection

†20. SHRI KAPIL SIBAL:
SHRI LAJPAT RAI:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Government's revenue through direct and indirect taxes during April to December in the current financial year has increased in comparison to the same period during last year;

(b) if so, the amount collected as additional revenue; and

(c) the names of the items through which this additional amount has been generated alongwith the details of said amount separately?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN): (a) Yes, Sir.

(b) The additional revenue collected from direct and indirect taxes during April to December in the current financial year compared with that during the corresponding period of last financial year is as under:

†Original notice of the question was received in Hindi.